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Bankruptcy Time for MagCorp

Embattled company says its operations in Utah won't be 'immediately' affected by bankruptcy

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BY JUDY FAHYS
THE SALT LAKE TRIBUNE

Magnesium Corporation of America, long identified as one of the nation's worst polluters and under fire from federal regulators, has joined its parent company in filing for Chapter 11 bankruptcy in New York.



MagCorp, a major magnesium producer located on the Great Salt Lake, blames its financial troubles on cheap foreign imports.
(Tribune file photo)

The company, which extracts magnesium from the Great Salt Lake and processes it at a plant on the lake's western edge, wants court protection while its parent company, New York-based Renco Metals Inc., reorganizes its debts.

Just minutes before midnight Thursday, corporate officials asked a U.S. Bankruptcy Court judge for time to study how to make interest payments to a New York bond trust that filed suit against MagCorp in May.

Tom Tripp, technical manager at the Utah plant, said workers were informed Friday about the bankruptcy filing. About 500 people are employed by the plant. "Are we going out of business?" said Tripp, recounting the discussion with workers. "Absolutely not."

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The financial tussling in New York, Tripp said, would have "no immediate impact" on operations at the processing facility, located about 65 miles west of Salt Lake City. Workers can expect no change in pay, benefits or retirement, he said.

"It's an accounting function," Tripp said. "It mostly has to do with our parent company."

The Utah plant is well-known -- even

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notorious -- for the flamboyance of its owner, New York billionaire Ira Rennert, and for its extensive emissions of chlorine gas. Rennert sparked an uproar in his home state a few years ago when he built on farmland on the Long Island shore a mansion twice the size of the White House.

Rennert's Utah plant was listed for years by the U.S. Environmental Protection Agency as the nation's worst polluter for spewing into the west desert's air millions of pounds of chlorine gas, a toxic chemical regulated by the EPA.

The request for bankruptcy protection comes nearly seven months after the EPA slapped MagCorp with a \$1 billion lawsuit to force the company to comply with the Resource Conservation Recovery Act. The company claims Congress granted the plant an exemption to what is known as the federal cradle-to-grave hazardous waste law.

The EPA lawsuit asserts that the parent company, and by extension Rennert, is accountable. Rennert's mining empire is estimated to be worth \$2.5 billion.

In 1999, the company reported emitting 47 million pounds of chlorine and other pollutants, down from 119 million pounds in 1989. When the EPA changed its reporting system for 1999, the plant fell from the top of the national polluter list and placed second in the state to Kennecott Utah Copper.

As the world's third-largest magnesium producer, MagCorp had sales of about \$150 million in 1999, largely for the metal and its alloys, which are used in everything from soft-drink cans to auto bodies.

In explaining its bankruptcy request, the company cited "price pressures created by foreign imports" as a primary reason it has been unable to generate enough profits to cover the interest on industrial bonds.

Neither
MagCorp nor
Renco commented
on the Chapter 11
request Friday, but
one of Renco's
Utah attorneys,
Michael D.
Zimmerman, said
the overdue interest
payments amounted
to less than \$1
million.

"All I know is

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Renco and
MagCorp have

been working with the bond holders to resolve some issues on interest payments," said Zimmerman, a former chief justice of the Utah Supreme Court. "It's simply a question of debt service."

The bond trust filed a lawsuit in state court in New York after Renco failed to meet two payment deadlines this year, he said.

MagCorp has been fending off trouble all year.

Besides the EPA lawsuit, there was a separate quarrel with the U.S. Bureau of Reclamation that has been dismissed.

Also, the Utah worker-safety office has been wrangling with the company over 87 violations cited during an in-depth review of the plant last year. The agency originally fined the company \$75,225, but that amount is expected to be reduced by a negotiated settlement.

In addition, Renco and MagCorp are under the gun for improper hazardous waste disposal. Last fall, EPA required MagCorp to protect workers from waste ditches that contain cancer-causing dioxins and hexachlorobenzene.

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